

The background of the entire page is a black and white topographic map, showing various contour lines that represent elevation and terrain. The lines are irregular and wavy, typical of a topographic map.

COMPASS

San Francisco Bay Area

Buyer's Guide

Gwyneth Price Panos
(650) 248-4165
gwyneth.panos@compass.com

Intro

The San Francisco Bay Area is one of the most desirable real estate markets in the world, and we understand that navigating the property buying process can seem challenging. However, with the expertise and breadth of knowledge of your Compass agent, you are in trusted hands. We will guide and advise you during every step of the buying process to help you find the perfect home that fits your needs, budget, and lifestyle.

Before you start

1. What is your price range?
2. What type of property are you looking for? (single-family home, condo, TIC)
3. Do you have any preferred neighborhoods?
4. Do you have pets?
5. Do you have children?
6. Is proximity to public transportation an important factor?
7. What amenities are most important to you? (parking, yard, etc.)

How to Buy a Home:

1 Initial Consultation

Reach out to your Compass Agent, define your priorities and time-frame. They will work as your advocates and trusted advisors to help guide your search.

2 Get Pre-Approved

Before beginning your search, your first step is to get pre-approved for a mortgage loan (unless you will be paying in cash for the full price of your home). Your Compass agent can connect you to a mortgage advisor. Based on your income and credit history, the mortgage advisor will determine how much a bank will lend you, which will help you determine the price range for your search.

3 Visit Properties

Attend viewings and open houses spanning a range of areas and property types. Now is the time to consider your ideal location and amenities. Ask your Compass agent about Compass Coming Soon and off-market opportunities

4 Identify Property and Review Disclosure Package

Once you have selected a property you are ready to write an offer. Your Compass agent is well versed in the local realtor contracts and terms as well as disclosure obligations by the seller.

5 Negotiate and Write an Offer

Your offer is a non-binding agreement to pay a certain price for the home. If your offer is lower than the list price, the seller will likely return with a "counter offer", which you can choose to accept, reject, or counter. Your Compass agent will advise on pricing throughout the process.

6 Due Diligence

During the escrow process you will have an opportunity to inspect the property, review homeowner's association documents. Select home insurance coverage and submit to escrow. Remove contingencies.

7 Final Walk-Through with Your Agent

A final walk-through ensures that the property's condition hasn't changed since your last visit and that the terms of your contract will be met.

8 Closing of Escrow

Congratulations, you are now a home owner!

Chapter 1

Financing Your Purchase

Loan Pre-approval

The Home Loan Process

Things NOT to do when applying for a Home Loan

• • •

The Underwriter Reviews Your Loan

• • •

Components of a Mortgage

• • •

How do Lenders Qualify Buyers?

• • •

• • •

• • •

• • •

• • •

Why get pre-approved

Pre-approval is different from pre-qualifying, as it is a full loan approval instead of an opinion letter. It is recommended to get pre-approval before looking at homes. Finding out what you qualify for will help you look in the right price range.

Determining the Right Price Range

The first step in buying a house is to determine the price range that is right for you. You will need to consider how much you are prepared to invest in your home and how much you will need to borrow. You should also consider how much property taxes and insurance will add to your monthly mortgage payment.

Determining Cash You Will Need

You will need enough cash to cover both your down payment and any closing costs associated with the purchase. Closing costs vary significantly based on the terms of your loan but are generally 1% to 2% of the purchase price.

Determining Additional Costs

Your Compass agent will help estimate your purchasing power and your carrying costs, but it is highly recommended that you discuss your cash needs and tax ramifications with an accountant and/or financial advisor.

Pre-Approval for a Loan

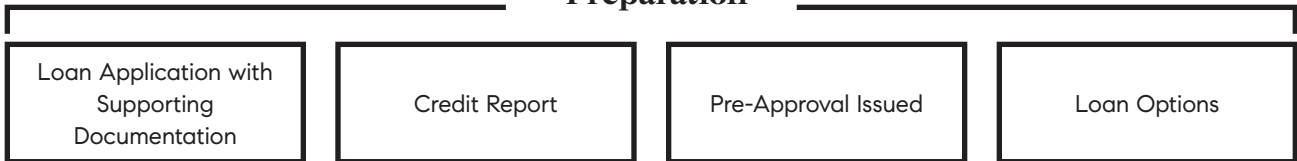
An offer is given greater consideration by a seller if it is accompanied by a pre-approval letter from a reputable lender or a local mortgage broker. This assures the seller that you will be able to obtain the proposed financing and will not tie up the property needlessly.

Lenders will inquire about the following six critical factors:

1. Income
2. Savings/capital/investments
3. Credit history
4. Debt level/ratio
5. Employment history
6. The value of the property you wish to purchase

The home loan process

Preparation



Property Search



Escrow Period



Things you should NOT do when applying for a home loan

Below are a list of things to steer clear of when seeking to obtain financing for a home. The following items may be detrimental when trying to move forward with the loan process.

DON'T buy or lease an auto before you apply for a home loan

Lenders look carefully at your debt-to-income ratio. A large payment such as a car lease or purchase can greatly impact those ratios and prevent you from qualifying for a home loan.

DON'T move assets from one bank account to another

These transfers show up as new deposits and complicate the application process, as you must then disclose and document the source of funds for each new account. The lender can verify each account as it currently exists. You can consolidate your accounts later if you need to.

DON'T change jobs

A new job may involve a probation period, which must be satisfied before income from the new job can be considered for qualifying purposes.

DON'T buy new furniture or major appliances for your new home

If the new purchases increase the amount of debt you are responsible for, there is the possibility this may disqualify you from getting the loan, or cut down on the available funds you need to meet the closing costs.

DON'T run a credit report on yourself

This will show as an inquiry on your lender's credit report. Inquiries must be explained in writing.

DON'T attempt to consolidate bills before speaking with your lender

The lender can advise you if this needs to be done.

DON'T pack or ship information needed for the loan application

Important paperwork such as W-2 forms, divorce decrees, and tax returns should not be sent with your household goods. Duplicate copies take weeks to obtain, and could stall the closing date on your transaction.

The underwriter reviews your loan

1. Credit

It is important that credit has been established with a good payment history. Any derogatory credit must have a good explanation. Outstanding collection accounts, judgements, or liens must be paid through escrow. The credit report will also list a credit score – a mathematical calculation of your overall credit rating.

2. Job Stability

A consistent job history with the same company is ideal; however if changes have been made for advancement, it is acceptable. Schooling completed in preparation for a specific vocation is considered to be a part of your job history.

3. Income and Ratios

Your gross monthly income (before taxes) is computed. Bonuses, overtime, part-time, or self-employment income is averaged over the last two years. The principle, interest, taxes, and insurance (PITI) on the new loan (plus mortgage insurance, if applicable) is divided by the gross monthly income to get the “top” ratio. P.I.T.I and all debts are divided by the income to get the “bottom” ratio.

Ratios are ideally 33 over 38 for an 80% loan and lower for a 90% , 95% or 97% loan. If other components are strong, higher ratios may be permitted.

$$\text{(PITI / Gross Monthly income = Top Ratio)}$$
$$\text{(Total Debt / Gross Monthly$$

4. Down Payment, Closing Costs and Cash Reserves

To be considered, your funds must have been verified as having been yours for 3 months. A 5% minimum down payment MUST be from your own funds; however, the remainder of the down payment, closing costs, and the 2 to 3 months of reserves may be gifted by a relative who provides a letter and bank statement showing the ability to give.

5. Property

The property is the security for the loan. The lender will require an appraisal by a certified fee appraiser to assure that there is sufficient collateral. The underwriter will review the appraisal to verify the marketability, condition, and value of your home. The lender will also review the title report and require title insurance on the property for your protection as well as theirs.

*If you don't fall within these guidelines, don't panic! Lenders work can work with a variety of circumstances.

Components of a mortgage



P.I.T.I.

Principle, Interest,
Taxes and Insurance

Insurance

Homeowner's Insurance,
Mortgage Insurance,
Homeowner's Dues

Formula 1

Formula for Property
Taxes in Alameda County/
Contra Costa County:

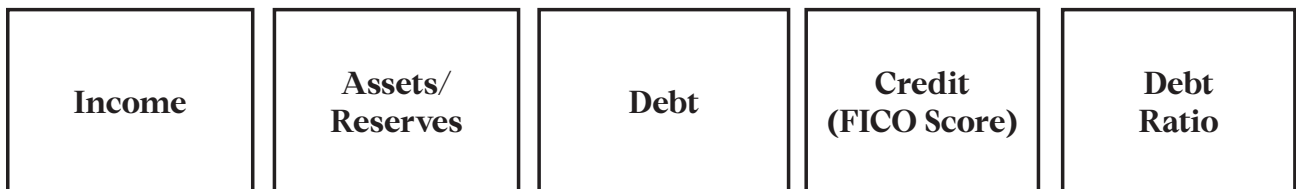
$$\frac{\text{Purchase price} \times 1.25\%}{12 \text{ months}} = \text{Monthly Property Taxes}$$

Formula 2

Formula for Home
Owners Insurance:

$$\frac{\text{Loan Amount} \times 0.35\%}{12 \text{ months}} = \text{Monthly Homeowners Insurance}$$

How do lenders qualify borrowers?



Income \$200,000 / \$16,667 per month

Total monthly payments on installment
+ revolving debt

Proposed Monthly Housing Expenses:

Purchase Price: \$1,250,000
Loan Amount: \$1,000,000
Down Payment: \$250,000
30-yr fixed interest-only payment @3.875%: 4,702.37
Taxes per month \$1,302.08
HOA Dues (or hazard insurance) \$500.00
Total monthly payment (PITI) - \$6,504.45

Monthly Debt Payments: \$400.00

Total Debt Service: \$6,904.45

Housing to income ratio 39%

*Many lenders will allow up to 43%-45% of your gross income and total monthly obligations.

**Lenders will use a formula of 1.25% of the sales price to calculate property taxes. The property taxes in many cities will be more or

Chapter 2

Buying Process

Flow of a Real Estate Transaction

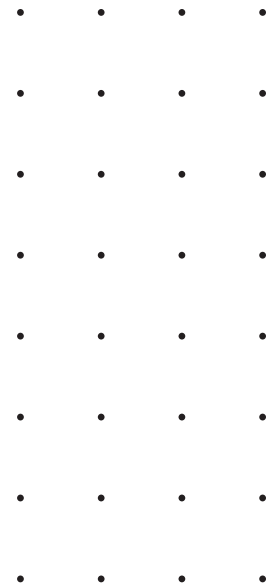
Your Property Search

Types of Ownership/Vesting

Disclosures

Making the Offer

Escrow



Property Types

Single Family Home:

A single-family home (often abbreviated as SFH), house or dwelling is a free-standing residential building that is maintained as a single dwelling unit. Even if the dwelling unit shares one or more walls with another unit, it is considered a single family home if it has direct access to a street and does not share heating facilities/ equipment, water equipment, nor any other essential facility or service.

Condo:

A condominium is usually attached housing, where the buyers/owners of each unit own their individual unit and a portion of the private land that the building sits on, as well as any amenities. All condominium buildings have associations (often referred to as Homeowner Associations) that govern/oversee the policies of the condominium building as a whole, allocate expenses for maintenance, and collect the homeowner association fees.

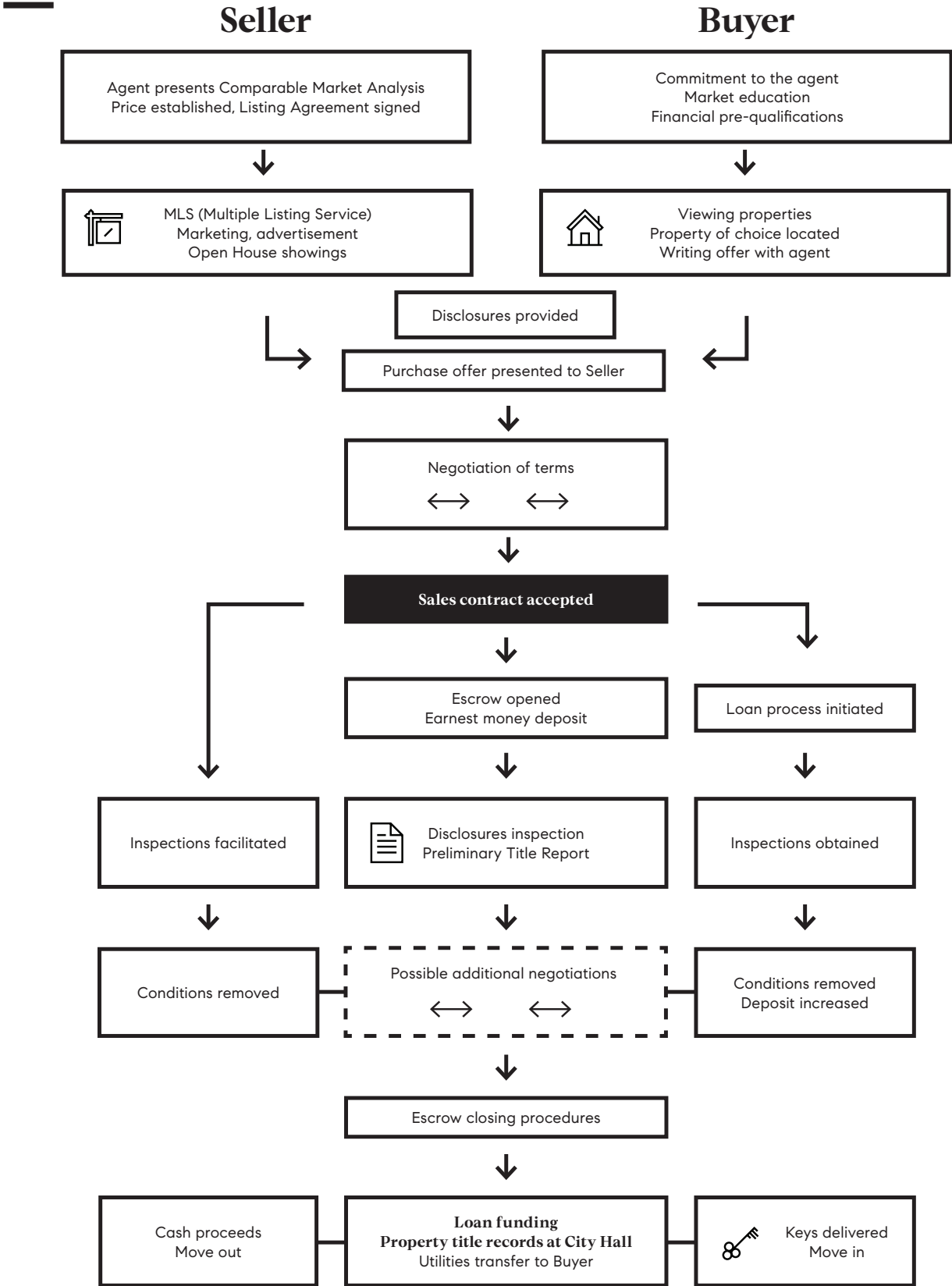
Co-Op:

Co-operative (Co-Op) housing is the form of ownership in which the whole property is owned by a co-operation and then sold as shares to the individual buyers/owners of the community. Co-operative housing typically shares the costs of upkeep and maintenance and shares amenities across all of its members.

Tenancy In Common (TIC):

Tenancy In Common (TIC): In a TIC, a building is owned by a TIC group in percentage shares, including the rights to occupy a particular unit. Each owner has a distinct, separately transferrable interest in the building as a whole. All areas of the property are owned equally by the group, and therefore an individual may not claim ownership to a specific part of the property.

The flow of a real estate transaction



Disclosures

In the Bay Area, it's typical for the listing agent to provide a general disclosure package to all serious buyers. This is your opportunity to review general information about the property prior to writing an offer. It is required that the sellers and agent disclose everything they know about the property and that you are aware of anything that might affect your decision to purchase the property.

Real Estate Transfer Disclosure Statement (called the RETDS), Seller Property Questionnaire

These 2 disclosures are questionnaires about the condition of the property and neighborhood

Preliminary Title Report

Provided by the Title Company, this report gives you information about the sellers

Pest Inspection Report

Sometimes referred to as a "Termite Report", it examines all types of insect and fungus damage (Section 1) as well as conditions that could lead to damage (Section 2). This inspection is performed by a specially licensed contractor who must inspect properties according to criteria established by the State Board of Pest Inspection.

Home Inspection

A home inspection will check the overall condition of the home from the foundation to the roof, including electrical, plumbing, and heating, the basic structure, as well as the quality of the finish work. Other recommended inspections may include structural engineering, soil conditions, fireplace and furnace. The inspection period is useful for obtaining estimates for repairs and improvements you plan to make later.

Natural Hazard Zone Disclosure (Property ID or JCP Report)

This report gives you all information about how the property might be affected by a natural hazard. Earthquake, Wildfire, Tsunami, Flood, etc. based on its specific location.

Agent's Visual Inspection Disclosure

Each agent will conduct a visual inspection of the property to identify red flags.

Conditions, covenants and restrictions commonly referred to as CC&Rs

HOA Budget and Budget Reserve Study (if it's a larger building)

Home Owners Association (HOA) Meeting Minutes for the last 12 months

Condominium Certification Form

House Rules / Misc. Communication

Making the offer

Q: What is a good offer?

A: A good offer depends on multiple factors: the market, the neighborhood, the seller needs and the list price. It is your agent's job to provide you with the best information on these factors to help you make a decision. Is the list price low or high compared to the market? Is your offer the only one on the table or are there several you are up against? Are properties in general selling above or below asking in the neighborhood?

Q: How do you win in a multiple bid situation?

A: Primarily by understanding the strategy and motivation of the sellers. It is important to know how many other offers are on the table, the state of the market, and the goals of the seller. An offer is more than a purchase price – a good offer is drafted carefully with overall terms that will appeal to the seller.

Q: Is it beneficial to provide a personal letter or enclose photos, etc. with the offer?

A: Absolutely. Sellers want to know who is buying their house. Whether you are buying from a developer or normal seller, a good solid offer package with a personalized cover letter shows that you are serious and passionate.

Q. How long will it take for me to hear if I/we got it?

A: We generally give 24 hours for the seller to respond. In some cases the seller requests more time, but usually no more than a couple days. In the case of a short sale or REO, it can take weeks or months to hear back from the bank.

Q: What is the counter offer?

How does it work?

A: When you submit an offer, the seller has four choices:

1. They can ACCEPT it as written, and you are ratified—meaning you are “in contract” to buy it.
2. They can REJECT it.
3. They can offer you a “BACK-UP” position—in the case that they have accepted another offer, this will put you in first position to ratify if the first offer cancels or falls through.
4. They can COUNTER your offer. They can counter you on the purchase price, the length of escrow, contingency periods, or any other terms. Once you receive their counter you can then 1) Accept 2) Reject or 3) Counter their counter. This can go back and forth many times until both sides come to an agreement. As soon as one party agrees to the other's counter, you are ratified.

Q: What is a Multiple Counter Offer?

A: If a seller receives more than one offer, they can counter all of them or a select few. In this scenario, the offer is not ratified when you respond to their counter. The seller has the final say, therefore you are not ratified until the seller accepts your counter.

Escrow

Escrow: What is it?

Escrow is the period of time between your offer being accepted and your purchase being finalized. Escrow is a deposit of funds, a deed or other instrument by one party for the delivery to another party upon completion of a particular condition or event.

Why Do I Need an Escrow?

Whether you are the buyer, seller, lender or borrower, you want assurance that no funds or property will change hands until ALL of the instructions in the transaction have been followed. The escrow holder has the obligation to safeguard the funds and/or documents while they are in the possession of the escrow holder, and to disburse funds and/or convey title only when all provisions of the escrow have been complied with. The escrow officer is a neutral third party and does not represent any one party.

Your title company will provide you with a preliminary title report for the buyer to be made aware of any encumbrances on the property.

Your title company also provides title insurance to ensure delivery of clean title.

How Does Escrow Work?

The principals to the escrow—buyer, seller, lender, agents—cause escrow instructions, most usually in writing, to be created, signed and delivered to the escrow officer. If a broker is involved, he will normally provide the escrow officer with the information necessary for the preparation of your escrow instructions and documents. The escrow officer will process the escrow, in accordance with the escrow instructions, and when all conditions required in the escrow can be met or achieved, the escrow will be “closed.” The duties of an escrow holder include: following the instructions given by the principals and parties to the transaction in a timely manner; handling the funds and/or documents in accordance with the instruction; paying all bills as authorized; responding to authorized requests from the principals; closing the escrow only when all terms funds in accordance with instructions and provide an accounting for same: the Closing or Settlement Statement. The escrow officer can ONLY take instructions from all parties in agreement. No one party in the transaction can solely give instructions. The escrow officer does not represent any one party—they are a neutral 3rd party in the transaction.

How Long Does Escrow Last?

This is determined on a case by case basis and will be written into the offer. Generally, 30 days is common. However, in some cases, you (or the seller) may need more time. In some cases, it is shorter, for example with an all cash deal.

Who Chooses the Escrow?

In the Bay Area, it is usually the buyer's choice, as the buyer pays the escrow fees. The selection of the escrow holder is normally done by agreement between the principals. If a real estate broker is involved in the transaction, the broker may recommend an escrow holder. However, it is the right of the principals to use an escrow holder who is competent and who is experienced in handling the type of escrow at hand. There are laws that prohibit the payment of referral fees; this affords the consumer the best possible escrow services without any compromise caused by a person receiving a referral fee.

What Happens During Escrow?

The escrow period gives all parties involved the time needed to comply with the terms of the offer and prepare to transfer title from the seller to the buyer. During this period, you do several things, all of which your agent will help you with:

1.
You put down a refundable deposit of 3% of the purchase price which is held by the title company

2.
Your lender processes your loan and will ask you for various information needed to approve you

3.
You review and sign disclosures

4.
You do your due diligence on the property, and remove your contingencies by the deadlines you requested in your offer

5.
You have any inspections you wrote into your offer done

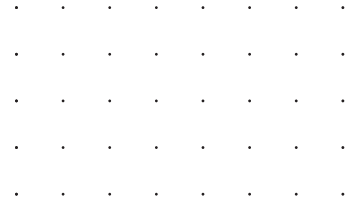
6.
The lender orders an appraisal for the property

7.
You sign all loan and title documents when they are ready

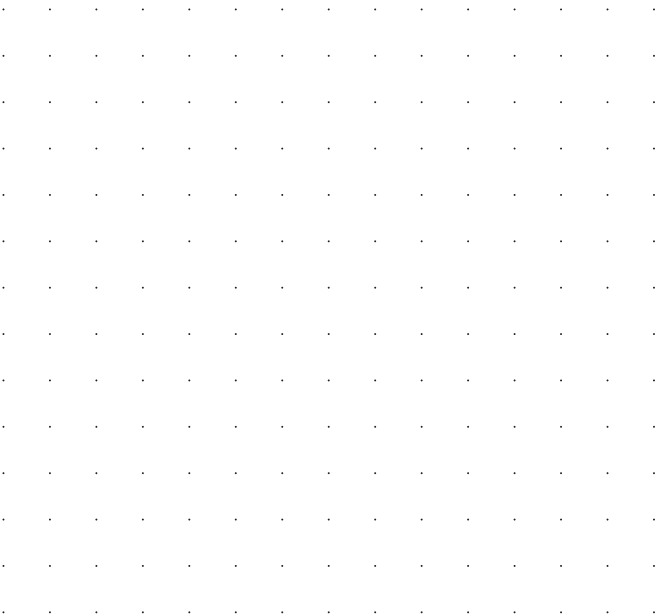
8.
Closing happens a couple days after you sign documents

Chapter 3

Resources



Bay Area real estate websites



Bay Area real estate websites

Compass

www.compass.com

San Francisco Board of Realtors (official MLS site)

www.sfrealtors.com

Easy to use, easy to navigate. Up to the minute – real time information on listings.

Bareis MLS (North Bay MLS)

www.bareis.com

SILVAR (Silicon Valley MLS)

www.silvar.org

Calaveras County (CCAR)

www.calaverasrealtors.com

Marin Association of Realtors

www.marincountyrealtors.com

Bay East MLS

www.bayeast.org

CCAR MLS

www.ccartoday.com

Bridge MLS

www.ebrdmls.com

Socket Site

www.socketsite.com

Plug into SF real estate tips, trends, and the local scoop.

Goldstein, Gellman, Melbostad, Gibson & Harris, LLP

www.g3mh.com

A firm that specializes in real estate.

Curbed

www.curbed.com

A neighborhood and real-estate weblog. Curbed covers the greater New York, Los Angeles, and San Francisco areas.

Walkscore

www.walkscore.com

Great source for quickly accessing what is nearby.

Crime Mapping

www.crimemapping.com

Great School

www.greatschool.org

Great source for information on nearby schools.

San Francisco Government

www.sfgov.org

A great resource to use when looking for city services, resources within your district, paying property taxes, or getting your dog's license.

San Francisco Department of Building Inspection

www.sfdbi.org

DBI is the regulatory safety agency for San Francisco buildings. Check here for permit information.